United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT of NEW YORK

U.S. Attorneys » Southern District of New York

United States V. Mikhail Zemlyansky, Et Al. Prepared Remarks Of United States Attorney Preet Bharara

February 29, 2012

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we announce the indictment of 36 individuals for participating in a colossal health care and insurance fraud scheme. Unlike many such schemes we have seen recently, the one described in today's indictment involved the systematic abuse of New York State's no-fault insurance law to defraud private insurance companies on an unprecedented scale and relied on the corruption of more than a dozen professionals.

In fact, we believe this is the single largest no-fault insurance fraud case in history.

The alleged amount of intended fraud was more than $275 million, and the actual loss was more than $113 million.

It involved, as alleged, a "criminal organization consisting primarily of individuals of Russian descent in the United States participating in organized criminal activities."

As described, the defendants worked hand-in-hand to create more than 100 fraudulent medical clinics in New York City. These so-called medical clinics, we alleged, were nothing more than fraud mills, as their only reason for being was to take advantage of New York State's patient friendly no-fault insurance law. That's a law designed to provide a safety net to accident victims in New York State who have suffered real injuries in real automobile accidents. In this case, the defendants allegedly turned that law on its head by using it to steal hundreds of millions of dollars based on medical claims that ranged from wild exaggerations to outright fabrications.

Eight of the defendants worked together in what we allege was a racketeering enterprise. The federal racketeering statute, "RICO," has long been a vital tool for law enforcement to respond to the threat of organized crime, and we have brought it to bear in this case.

Today's indictment is noteworthy for another reason also: as I mentioned, the charged crimes could never have happened without the participation of more than a dozen corrupt professionals – the defendants include 10 medical doctors and three licensed attorneys.

As described in the indictment, the scheme relied on a cadre of corrupt doctors who essentially peddled their medical licenses like a corner fraudster might sell fake ID's – except that those medical licenses allowed unlawful entry, not to a club or a bar, but to a multi-billion dollar pool of insurance proceeds.

Before I get to the details, let me introduce and thank our partners in this case.

I am joined here today by the FBI, led by Assistant Director in Charge of the FBI New York Field Office, Janice Fedarcyk, Special Agent-in-Charge for the Criminal Division, Diego Rodriguez, Assistant Special Agent-in-Charge, Belle Chen, and Supervisory Special Agent, Michael Gaeta; and by New York Police Department Commissioner, Ray Kelly, Inspector Brian O'Neill, and Captain George Pietropinto.

I'd also like to thank the FBI's Eurasian Organized Crime Task Force, the staff from the National Insurance Crime Bureau, the investigation units from the victim insurance companies who also provided invaluable assistance, and the Office of Manhattan District Attorney Cyrus Vance.

Finally, I want to commend the outstanding work of the career prosecutors on this case: Assistant United States Attorneys Daniel Goldman, Nicholas McQuaid, Jason Cowley, and Carolina Fornos, supervised by Elie Honig and Jennifer Rodgers, the Co-Chiefs of our Organized Crime Unit.

Now let me briefly explain this fraud scheme.

The entire scheme was premised on manipulating and abusing New York State's no-fault insurance law. Under that law, any person who is injured in a car accident is eligible to receive up to $50,000 in medical treatment, regardless of which car was at fault for the accident.

Today's indictment charges the defendants with abusing this law in two primary ways.

First, the New York no-fault law requires that medical clinics be incorporated by medical professionals – in other words, as you might expect, medical clinics must be run by actual doctors.

Here, however, the medical clinics were incorporated by licensed medical professionals who falsely represented – in exchange for money – that they owned and controlled the clinics when, in fact, the clinics were funded, owned and operated by non-doctors. That, in and of itself, is a fraud, as we allege.

Second, as described in the indictment, the patients at these clinics received unnecessary and excessive medical treatments – and sometimes did not even receive the treatments billed by the clinics at all. Upon arrival at a clinic, nearly every patient received the exact same prescription of treatments and referrals, regardless of their purported injuries. These treatments and referrals included acupuncture, physical therapy, and chiropractic treatments, often up to five times per week. In addition, the patients were referred for other medical treatments – called modalities – which included MRI's, x-rays, psychological treatment, neurological testing. The patients did not need these treatments, and, in many cases, they never actually received the treatments for which the insurance companies were billed.

In some instances, the fraud was particularly flagrant. For example, the clinics here occasionally submitted hefty bills for audiology testing – yes, hearing tests – which, the defendants claimed were somehow necessary to treat patients who had been injured in automobile accidents.

This alleged intricate kickback arrangement kept the fraud churning and the defendants' pockets flush.

In addition to the fraud we allege, 13 defendants are also charged with laundering their ill-gotten gains.

The indictment alleges that the participants in this scheme laundered their money by working with corrupt check cashers; by structuring financial transactions to avoid reporting requirements; and by forming bogus shell companies.

These defendants then used that money in part to finance their own lavish personal lifestyles – including vacations in Mexico and Atlantic City, purchases of luxury items at Louis Vuitton, Chanel, and Saks Fifth Avenue, as well as expensive jewelry and limousines.

Today's charges expose a colossal criminal trifecta, as the fraud's tentacles simultaneously reached into the medical system, the legal system, and the insurance system, pulling out cash to fund the defendants' lavish lifestyles.

As mentioned, among the defendants were medical doctors, attorneys and medical professionals who, rather than acting as gatekeepers against fraud, actively carried out the fraud.

The loss amount to automobile insurance companies in this case is, in a word, staggering. And for every dollar these defendants stole from private insurers, that cost ends up being passed on to the people of this state. So let the message be clear to those who think they can get away with such a blatant fraud: we will use every resource at our disposal to punish you for your crimes and to protect New Yorkers.

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